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March 20, 2006

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CERTIFICATE OF SERVICE

RE: Case No. 2006-00076
Duo County Telephone Cooperative Corporation, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on March 20, 2006.

Executive Director

BOD/sh
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF DUO COUNTY)	
TELEPHONE COOPERATIVE)	
CORPORATION, INC. TO AMEND)	CASE NO.
PRESUBSCRIBED INTEREXCHANGE)	2006-00076
CARRIER CHANGE CHARGES)	

O R D E R

On December 28, 2005, Duo County Telephone Cooperative Corporation, Inc. ("Duo County") sought to revise the intrastate primary interexchange carrier ("PIC") change charges found in its Intrastate Access Tariff.¹ Duo County requested that the intrastate PIC Change Charge mirror the approved PIC change charges in the National Exchange Carrier Association ("NECA") Interstate Access Service Tariff. The Commission Staff rejected the tariff filing because it conflicted with the Commission's previous Orders as to amount of the PIC change charge. In Administrative Case No. 323, the Commission found that the PIC change charge should be capped at \$5.00.²

On February 20, 2006, Duo County filed a petition seeking to revise its PIC change charge to mirror its interstate rate. Duo County states in support of its petition that there have been important changes that have taken place since the release of the

¹ In addition to Duo County, 12 other companies concur in this tariff.

² Administrative Case No. 323, Phase I, An Inquiry Into IntraLATA Toll Competition, An Appropriate Compensation Scheme for Completion of IntraLATA Calls by Interexchange Carriers, and WATS Jurisdictionality, Order dated December 29, 1994. The Commission also affirmed and clarified this decision in Case No. 1995-00168, Lisa Gail Gamble, Dawn Elizabeth Howard, Teresa Darcel Cope, and Linda Sue Medley vs. West Kentucky Rural Telephone Cooperative Corporation, Inc., Order dated November 27, 1995.

December 1994 Order of the Commission in Administrative Case No. 323. On February 10, 2005, the Federal Communications Commission (“FCC”) adopted a Report and Order requiring Incumbent Local Exchange Carriers (“ILECs”) to have separate PIC change charges for changes that are processed manually and electronically.³ The FCC adopted new safe harbor rates of \$1.25 for electronically processed PIC changes and \$5.50 for manually processed PIC changes.⁴ The FCC found that it should not require ILECs to tariff PIC change charges based on individual ILEC actual costs because it would be unduly burdensome.⁵ The FCC found that ILECs may adopt rates that are equal to or less than the safe harbor without having to submit cost studies to support their rates.⁶ However, ILECs are free to submit cost studies if their costs exceed the safe harbor limit.⁷ The previous safe harbor rate had been \$5.00 for PIC change charges and there was no distinction if the change was made electronically or manually.⁸

In Administrative Case No. 323, our Order specifically found that “[t]he maximum charge for an intraLATA PIC change shall not exceed the charge for interLATA PIC changes.” Also, in Case No. 1995-00168, the Commission found that the maximum PIC change charge was \$5.00. This rate was based on the fact that the maximum interstate

³ In the matter of Presubscribed Interexchange Carrier Charges, CC Docket No. 02-53 (FCC 05-32) released February 17, 2005.

⁴ Id. at paragraph 1.

⁵ Id. at paragraph 6.

⁶ Id. at paragraph 6.

⁷ Id. at paragraph 6.

⁸ Id. at paragraph 2.

PIC change charge was \$5.00 at the time. Now in light of the FCC actions and adoption of new safe harbor rates, it is appropriate for the Commission to adjust its cap to mirror the FCC's Interstate rates. PIC change charges are assessed from both the carrier's interstate and intrastate tariffs. When a customer changes its interLATA carrier, the customer is assessed a PIC change charge from the carrier's interstate tariff. When a customer changes its intraLATA carrier, the customer is assessed a PIC change charge from the carrier's intrastate tariff. If the customer changes both carriers at one time, the customer would be charged half the interstate rate from the interstate tariff and half the intrastate rate from the intrastate tariff.⁹

The FCC does not impose the safe harbor limits on Competitive Local Exchange Carriers ("CLECS"). The FCC relies on market forces to constrain CLEC PIC change charges.¹⁰ The Commission enforced its past Order on PIC change charges to apply to all LECs including CLECs. In light of the FCC's findings and practice not to impose its requirements on CLECs, we will no longer continue to apply limits to CLEC PIC change charges. However, like the FCC we reserve the right to reexamine this practice should market forces fail to constrain CLEC PIC change charges.

IT IS THEREFORE ORDERED that:

1. ILECs may charge a maximum of \$1.25 for electronically processed PIC changes and \$5.50 for manually processed PIC changes, unless cost studies are submitted that demonstrate costs exceeding these limits.

⁹ The FCC specifically required that if a customer changed both PICs at the same time the ILEC should only assess half of the applicable federally tariffed rate PIC change charge and the carrier may recover the remaining costs through a state tariffed PIC change charge. Id. at paragraph 21.

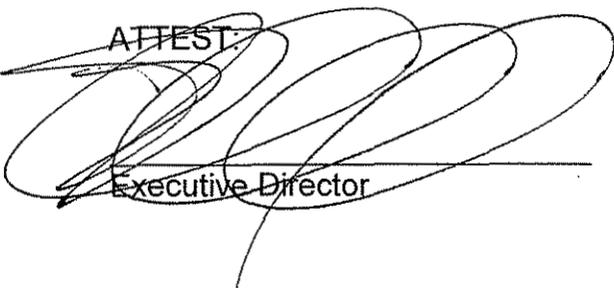
¹⁰ Id. at footnote 3.

2. The maximum rates established herein shall not be applicable to CLECs.
3. The intrastate ILEC PIC change charges shall not exceed the interstate ILEC PIC change charges.
4. IntraLATA PIC change charges shall be charged from the carrier's intrastate tariff and InterLATA PIC change charges shall be charged from the carrier's interstate tariff.
5. ILECs shall only charge 50 percent of the full PIC change charge rate when a customer requests a PIC change charge in conjunction with an InterLATA PIC change as described herein.

Done at Frankfort, Kentucky, this 20th day of March, 2006.

By the Commission

ATTEST



Executive Director